

Department for  
**15 FEB 2022**  
Local Government



**SWIEQI LOCAL COUNCIL**

**Annual Report  
and  
Financial Statements**

for the year ended 31 December 2020



Prepared by

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2020**

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**Statement of Local Council Members' and Executive Secretary's Responsibilities**

**for the year ended 31 December 2020**

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's statement of comprehensive income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on the 6th January 2022 and signed on its behalf by



Noel Muscat  
Mayor



Vincent Tanti  
Executive Secretary

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2020

		2020 €	2019 €
	<i>Notes</i>		
<b>Income</b>			
Funds received from Central Government	4	826,836	782,376
Income raised under Council Bye-Laws	5	-	16,422
Income raised under Local Enforcement System	6	4,253	6,466
General Income	7	41,134	61,449
Income from EU Programmes	8	-	33,150
		<u>872,223</u>	<u>899,863</u>
<b>Expenditure</b>			
Personal emoluments	10	(158,022)	(151,050)
Operations and maintenance	11	(543,687)	(515,561)
Administrative and other expenditure	12	(179,718)	(195,793)
		<u>(881,427)</u>	<u>(862,404)</u>
<b>Operating (Deficit) / Surplus for the year</b>		<b>(9,204)</b>	<b>37,459</b>
Investment income	13	313	187
<b>(Deficit) / Surplus for the year</b>		<u><b>(8,891)</b></u>	<u><b>37,646</b></u>

The notes on pages 8 to 25 form an integral part of these financial statements

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2020

	<i>Notes</i>	2020 €	2019 €
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	14	182,339	191,451
Intangible assets	15	5,667	199
		<u>188,006</u>	<u>191,650</u>
<b>Current Assets</b>			
Receivables	16	249,015	228,414
Cash and Cash Equivalents	17	569,670	508,558
		<u>818,685</u>	<u>736,972</u>
<b>Total Assets</b>		<u><b>1,006,691</b></u>	<u><b>928,622</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Fund		556,548	565,439
		<u>556,548</u>	<u>565,439</u>
<b>Current Liabilities</b>			
Payables	18	450,143	363,183
		<u>450,143</u>	<u>363,183</u>
<b>Total Equity and Liabilities</b>		<u><b>1,006,691</b></u>	<u><b>928,622</b></u>

These financial statements were approved by the Local Council on the 6th January 2022 and signed on its behalf by:



\_\_\_\_\_  
Noel Muscat  
Mayor



\_\_\_\_\_  
Vincent Tanti  
Executive Secretary

The notes on pages 8 to 25 form an integral part of these financial statements

**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2020

	<b>Retained Funds €</b>
At 1 January 2019	527,793
Surplus for the year 2019	37,646
	<hr/>
<b>At 31 December 2019</b>	<b>565,439</b>
	<hr/> <hr/>
At 1 January 2020	565,439
Deficit for the year 2020	(8,891)
	<hr/>
<b>At 31 December 2020</b>	<b>556,548</b>
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The notes on pages 8 to 25 form an integral part of these financial statements

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2020

	2020 €	2019 €
	Note	
<b>Cash flows from Operating Activities</b>		
<b>(Deficit) / Profit for the year</b>	<b>(8,891)</b>	<b>37,646</b>
Reconciliation to cash generated from operations:		
Depreciation	31,365	26,660
Amortization	464	1,513
Interest receivable	(313)	(187)
Operating Profit before Working Capital Changes	<u>22,625</u>	<u>65,632</u>
Increase in receivables	(20,601)	(119,302)
Increase in payables	8,262	178,642
<b>Cash generated from operating activities</b>	<u><b>10,286</b></u>	<u><b>124,972</b></u>
<b>Cash flows from Investing Activities</b>		
Interest received	313	187
Purchase of property, plant & equipment	(22,253)	(255,900)
Purchase of intangible assets	(5,932)	-
Receipt of grant	78,698	220,549
<b>Cash generated from / (used in) investing activities</b>	<u><b>50,826</b></u>	<u><b>(35,164)</b></u>
Net Increase in Cash and cash equivalents	<b>61,112</b>	<b>89,808</b>
Cash and cash equivalents at the beginning of the year	<u><b>508,558</b></u>	<u><b>418,750</b></u>
<b>Cash and cash equivalents at the end of the year</b>	<b>17</b> <u><u><b>569,670</b></u></u>	<u><u><b>508,558</b></u></u>

The notes on pages 8 to 25 form an integral part of these financial statements

**Notes to the Financial Statements for the year ended 31 December 2020**

**1. General Information**

The Swieqi Local Council is the local Authority of Swieqi set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at G. Bassiera Road, Swieqi. These financial statements were approved for issue by the Council Members on the 6th January 2022. The Local Council's presentation as well as functional currency is denominated in €.

**2. Accounting Policies and Reporting Procedures**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

*Accounting convention*

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards as adopted by the EU.

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap. 363).

*New and amended standards adopted by the Local Council:*

In the current year, the Local Council has applied a number of new standards and amendments to IFRS issued by the International Accounting Standards Boards (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2020.

**Amendments to IAS 1 and IAS 8 Definition of Material**

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements.

**Conceptual Framework for Financial Reporting issued on 29 March 2018**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements.

*New Standards and amendments not yet effective:*

At the end of the reporting period, certain new standards, interpretations or amendments thereto, were in issue and endorsed by the EU, but not yet effective for the current financial period. There have been no instances of early adoption of standards, interpretations or amendments ahead of their effective date.

The Councillors and Executive Secretary anticipate that the adoption of the International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.



**Notes to the Financial Statements for the year ended 31 December 2020 (cont.)****Accounting Policies and Reporting Procedures (cont.)***Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Depreciation is calculated on a monthly basis using the straight line method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

	Years
Land	No depreciation
Trees	No depreciation
Buildings	50
Office Furniture and Fittings	13 1/3 years
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	5
Motor Vehicles	5
Plant and Machinery	5
Computer Equipment	4
Plants	0
Litter Bins	Replacement basis
Playground Furniture	0
Traffic Signs	Replacement basis
Road Signs	Replacement basis
Street Mirrors	Replacement basis
Street Lights	0

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each statement of financial position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

*Intangible assets*

Intangible assets comprise externally generated computer software. In determining the classification of an asset that incorporates both intangible and tangible elements, judgement is used in assessing which element is more significant. Computer software which is an integral part of the related hardware is classified as property and equipment and accounted for in accordance with the Group's accounting policy on property and equipment. Where the software is not an integral part of the related hardware, this is classified as an intangible asset.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Computer software is initially measured at cost. It is subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

Computer software is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

*Impairment of Assets*

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

**Notes to the Financial Statements for the year ended 31 December 2020 (cont.)**

**Accounting Policies and Reporting Procedures (cont.)**

*Leases*

The Council has applied IFRS 16 using the retrospective approach. At inception of a contract, the Council assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Council assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Council has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Council has the right to direct the use of the asset. The Council has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Council has the right to direct the use of the asset if either:
  - The Council has the right to operate the asset; or
  - The Council designed the asset in a way that predetermines how and for what purpose it will be used.

The Council has applied this approach to contracts entered into or changed on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, the Council allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Council has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Council's incremental borrowing rate. Generally, the Council uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Council is reasonably certain to exercise, lease payments in an optional renewal period if the Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Council is reasonably certain not to terminate early

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Council's estimate of the amount expected to be payable under a residual value guarantee or if the Council changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**Notes to the Financial Statements for the year ended 31 December 2020 (cont.)**

**Accounting Policies and Reporting Procedures (cont.)**

*Cash and cash equivalents*

Cash and Cash Equivalents are carried in the Statement of Financial Position at face value. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash in hand and balances held with banks.

*Capital Management*

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

**3. Judgments in applying accounting policies and key sources of estimation**

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Council, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

**4. Funds received from central government**

	2020	2019
	€	€
In terms of section 55 of the Local Councils Act, 1993	764,580	721,525
Supplementary Government Income	1,862	-
Other Government income	<u>60,394</u>	<u>60,851</u>
	<u><u>826,836</u></u>	<u><u>782,376</u></u>

**5. Income raised under Council Bye-Laws**

	2020	2019
	€	€
Adverts on street furniture	-	16,422
	<u>-</u>	<u>16,422</u>

**Notes to the Financial Statements for the year ended 31 December 2020 (cont.)****6. Income raised under Law Enforcement System**

	2020	2019
	€	€
Commission from LESA and Regional committees	4,253	6,466
	<u>4,253</u>	<u>6,466</u>

In accordance with the Law Enforcement System (LES) issued by the Ministry by virtue of Section 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal notice 32 of 2000.

As from September 2012, the income recognised in the Income Statement was derived from the five Regional Committees and the Local Enforcement System Agency, which income consists of administration fee of 10% of cash collected on behalf of LESA or the Regional Committee

The recording of income from contraventions for offences was based on reports generated by the contractor entrusted with the system by the Ministry.

**7. General Income**

	2020	2019
	€	€
Income from permits	37,288	48,123
Cultural Activities	-	287
Sponsorships	-	2,500
Insurance claims	-	1,100
Donations (inc Christmas lights contributions)	3,285	5,826
General Income	61	3,113
Rental income	500	500
	<u>41,134</u>	<u>61,449</u>

**8. Income under EU programmes**

	2020	2019
	€	€
Income under EU programmes	-	33,150
	<u>-</u>	<u>33,150</u>

**9. Surplus for the year**

	2020	2019
	€	€
Profit for the year is stated after charging		
Staff salaries	158,022	151,050
Depreciation of property, plant & equipment and amortisation	31,829	28,173
	<u>158,022</u>	<u>151,050</u>
	<u>31,829</u>	<u>28,173</u>

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)**10. Personal Emoluments**

	2020	2019
	€	€
Mayor's Honoraria	14,009	13,578
Councillors' Allowances	22,600	16,100
Executive Secretary Salary and Allowances	36,279	35,811
Employees' Salaries	76,476	76,804
Social Security Contributions	8,658	8,757
	<u>158,022</u>	<u>151,050</u>

**11. Operations and Maintenance**

	2020	2019
	€	€
<i>Repairs and Upkeep:</i>		
Repair and Upkeep Roads	24,862	19,088
Street Signs	8,508	17,341
Street Markings and Litter Bins	41,950	21,664
	<u>75,320</u>	<u>58,093</u>
<i>Contractual Services:</i>		
Waste Disposal	122,111	124,680
Refuse Collection	189,260	190,359
Road & Street Cleaning	59,113	42,601
Cleaning and other minor maintenance works	36,692	45,120
Cleaning & Maintaining Parks & Gardens	20,953	18,602
Street Lighting	38,779	35,223
Law Enforcement System	1,459	883
	<u>468,367</u>	<u>457,468</u>
 Total Operations and Maintenance Costs	 <u>543,687</u>	 <u>515,561</u>

**Notes to the Financial Statements for the year ended 31 December 2020 (cont.)****12. Administrative and other expenditure**

	2020	2019
	€	€
Utilities	20,790	23,418
Repairs and Maintenance	38,061	22,308
Rent	6,811	6,775
National and International Memberships	919	2,158
Office Services	8,031	15,016
Transport	1,359	2,196
Information Services	806	2,857
Insurance Coverage	5,015	5,038
Bank Charges	356	808
Cleaning Council Premises	3,215	3,213
Professional Services	45,293	26,540
Training	-	65
Social and Cultural Events	16,251	42,555
Christmas lighting	-	8,420
Court settlement expenses (inc. interest)	-	2,312
Sundry Minor Expenses	982	38
Bad Debts written off	-	3,903
Depreciation	31,829	28,173
	<u>179,718</u>	<u>195,793</u>

**13. Investment Income**

	2020	2019
	€	€
Investment income	313	187
	<u>313</u>	<u>187</u>

SWIEQI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

14. Property, plant and equipment

Cost	Urban Improvements		Street lights, Mirrors & Playground Eq.		Furniture & Fittings		New Street Signs		Office Equipment		Computer Equipment		Motor vehicles		Assets under construction		Special Programmes		Total	
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	
At 1 January 2020	53,199	91,062	35,466	55,070	31,571	17,587	18,270	234,591	1,097,822	1,634,638										
Additions	-	9,039	1,368	-	3,038	8,808	-	-	-	22,253										
At 31 December 2020	53,199	100,101	36,834	55,070	34,609	26,395	18,270	234,591	1,097,822	1,656,891										
<b>Depreciation</b>																				
At 1 January 2020	18,002	86,598	22,989	55,070	24,399	14,153	6,090	-	427,734	655,035										
Charge for the year	7,168	76	1,657	-	2,593	3,516	3,654	-	12,701	31,365										
At 31 December 2020	25,170	86,674	24,646	55,070	26,992	17,669	9,744	-	440,435	686,400										
<b>Grants</b>																				
At 1 January 2020																				
At 31 December 2020																				
<b>Net Book values</b>																				
At 31 December 2020	28,029	13,427	12,188	-	7,617	8,726	8,526	12,214	91,612	182,339										

SWIEQI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

14. Property, plant and equipment (cont.)

	Urban Improvements €	Street lights & mirrors €	Furniture & Fittings & Fittings €	New Street Signs €	Office Equipment €	Computer Equipment €	Motor vehicles €	Assets under construction €	Special Programmes €	Total €
<b>Cost</b>										
At 1 January 2019	34,070	91,062	35,466	55,070	29,391	17,587	18,270	-	1,097,822	1,378,738
Additions	19,129	-	-	-	2,180	-	-	234,591	-	255,900
At 31 December 2019	53,199	91,062	35,466	55,070	31,571	17,587	18,270	234,591	1,097,822	1,634,638
<b>Depreciation</b>										
At 1 January 2019	12,332	86,131	21,413	55,070	22,102	12,391	2,436	-	415,110	626,985
Charge for the year	5,670	467	1,576	-	2,297	1,762	3,654	-	12,624	28,050
At 31 December 2019	18,002	86,598	22,989	55,070	24,399	14,153	6,090	-	427,734	655,035
<b>Grants</b>										
At 1 January 2019	-	-	-	-	-	-	-	-	567,603	567,603
Grants received during 2019	-	-	-	-	-	-	-	220,549	-	220,549
At 31 December 2019	-	-	-	-	-	-	-	220,549	567,603	788,152
<b>Net Book values</b>										
At 31 December 2019	35,197	4,464	12,477	-	7,172	3,434	12,180	14,042	102,485	191,451



**Notes to the Financial Statements for the year ended 31 December 2020 (cont.)****15. Intangible Assets**

	<b>Computer software</b>	<b>Total</b>
	<b>€</b>	<b>€</b>
<b>Cost</b>		
At 1 January 2020	3,780	3,780
Additions	5,932	5,932
	<hr/>	<hr/>
At 31 December 2020	9,712	9,712
	<hr/>	<hr/>
<b>Depreciation</b>		
At 1 January 2020	3,581	3,581
Charge for the year	464	464
	<hr/>	<hr/>
At 31 December 2020	4,045	4,045
	<hr/>	<hr/>
<b>Net Book value</b>		
<b>At 31 December 2020</b>	<b>5,667</b>	<b>5,667</b>
	<hr/> <hr/>	<hr/> <hr/>
	<b>Computer software</b>	<b>Total</b>
	<b>€</b>	<b>€</b>
<b>Cost</b>		
At 1 January 2019	3,780	3,780
	<hr/>	<hr/>
At 31 December 2019	3,780	3,780
	<hr/>	<hr/>
<b>Depreciation</b>		
At 1 January 2019	3,458	3,458
Charge for the year	123	123
	<hr/>	<hr/>
At 31 December 2019	3,581	3,581
	<hr/>	<hr/>
<b>Net Book value</b>		
<b>At 31 December 2019</b>	<b>199</b>	<b>199</b>
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the Financial Statements for the year ended 31 December 2020 (cont.)**

**16. Receivables**

	2020	2019
	€	€
Trade receivables	132,577	67,968
Other receivables and accrued income	111,603	159,819
Prepayments	4,835	627
	<u>249,015</u>	<u>228,414</u>
	2020	2019
	€	€
Financial receivables	244,180	227,787
Non-financial receivables	4,835	627
	<u>249,015</u>	<u>228,414</u>
<i>Receivables</i>		
Credit period analysis:		
	2020	2019
	€	€
Within credit period	32,351	19,195
Exceeded credit period but not impaired	100,226	48,773
Impaired and provided for	109,007	109,007
Provision for doubtful debts	(109,007)	(109,007)
	<u>132,577</u>	<u>67,968</u>
Impaired and written off	<u>-</u>	<u>-</u>
	2020	2019
	€	€
61 - 90 days	31,275	415
91 - 120 days	398	-
Over 120 days	100,226	48,773
	<u>131,899</u>	<u>49,188</u>

Impairment recognized on receivables relates to all outstanding monies due from the Law Enforcement Pre-Pooling System amounting Eur109,007 (2019: Eur109,007). The balances are older than two years and have been impaired in full in line with guidance received from the Department from Local Government.

**Notes to the Financial Statements for the year ended 31 December 2020 (cont.)**

**17. Cash & cash equivalents**

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts.

	2020	2019
	€	€
Cash at Bank	569,508	507,632
Cash in Hand	162	926
	<u>569,670</u>	<u>508,558</u>

**18. Payables**

	2020	2019
	€	€
Payables	238,159	120,700
Other payables	-	3,540
Deferred Income	117,316	38,618
Accruals	94,668	200,325
	<u>450,143</u>	<u>363,183</u>

	2020	2019
	€	€
Financial liabilities	332,827	324,565
Non-financial liabilities	117,316	38,618
	<u>450,143</u>	<u>363,183</u>

	2020	2019
	€	€
Within credit period	91,011	80,558
Exceeded credit period but not impaired	147,148	40,142
	<u>238,159</u>	<u>120,700</u>

	2020	2019
	€	€
61 - 90 days	17,466	3,273
91 - 120 days	14,554	10,737
Over 120 days	147,148	40,142
	<u>179,168</u>	<u>54,152</u>

Included in the accounts payable are amounts due to related parties amounting to €184,216 (2019 : €55,791). These amounts are unsecured, interest free and repayable on demand.

**Notes to the Financial Statements for the year ended 31 December 2020 (cont.)**

**18. Contingent Liability and Assets**

A court case has been instituted against the Council by third party individuals alleging physical damages sustained due to bad state of a road. The case was filed before the Magistrate's Court so the maximum amount that can be awarded cannot exceed €15,000. The Council has opened an insurance claim with their insurance company on this matter.

The Council receives motor claims from third parties suffering damages when using the streets of the Locality. The claims are assessed by the Council before acceptance of liability.

There are a number of cases before the revision Board of Planning Authority where the Council is appearing as an interested third party thereto but this should not have any financial impact on the said council.

**19. Capital Commitments**

	2020	2019
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	639,671	494,279
- Contracted for but not provided in the financial statements	<u>577,756</u>	<u>-</u>
(i) Approved but not yet contracted for:		
Construction		
Gnien Esprit Barthet (Victoria Gardens)	-	187,596
Club House	-	157,510
Fence FX Ebejer	34,626	-
Resurfacing Ibragg Road	525,545	-
Embellishment Sidra Gejza	-	35,000
Embellishment Sidra Gabillott	-	6,007
Embellishment Silk Sidra	-	7,588
Rubble wall Madliena	68,500	89,578
Furniture & fittings	3,000	3,000
Office equipment	3,000	3,000
Computer equipment	4,000	4,000
Computer software	1,000	1,000
	<u>639,671</u>	<u>494,279</u>
(i) Contracted for but not provided in the Financial Statements:		
Club House	203,305	-
Gnien Esprit Barthet (Victoria Gardens)	374,451	-
	<u>577,756</u>	<u>-</u>

The Council will be refunded for part of the above capital commitments from the Development Planning Fund.

**Notes to the Financial Statements for the year ended 31 December 2020 (cont.)**

**20. Ultimate controlling party**

The ultimate controlling party of the local council is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

**21. Financial Risk Management**

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

*Credit risk*

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

**Summary of financial assets and liabilities by category:**

	2020	2019
	€	€
<b>Current Assets</b>		
Loans and receivables:		
Accounts and other receivables	244,180	227,787
Cash and Cash Equivalents	569,670	508,558
	<u>813,850</u>	<u>736,345</u>
<b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	238,159	120,700
Other payables	-	3,540
Accruals	94,668	200,325
	<u>332,827</u>	<u>324,565</u>

*Liquidity Risk*

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of €569,670

This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive current net asset position of €368,542 (2019: €373,789) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

**Notes to the Financial Statements for the year ended 31 December 2020 (cont.)**

**22. Financial Risk Management (cont.)**

*Foreign Currency Risk*

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currency transactions.

*Interest Rate Risk*

The Council operates two bank accounts which have financing facilities. These facilities have interest rates which did not fluctuate over the past years and as a result, the Council is not exposed to cash flow interest rate risk on bank balances.

*Market risks*

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

*Other risks*

The Council's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

**23. Related party transactions**

During the year under review, the Council carried out transactions with the following related parties:

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Government	Significant control
Regional Committee (Local Enforcement)	Joint control
Inland Revenue Department	No control
Local Enforcement System Agency	No control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Local Enforcement System Agency	No control
Planning Authority	No control
Malta Information Technology Agency	No control
Water Services Corporation	No control
Enemalta Corporation	No control
ARMS Limited	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Malta Tourism Authority	No control
Office of the Prime Minister	No control

**Notes to the Financial Statements for the year ended 31 December 2020 (cont.)**

**23. Related party transactions (cont.)**

The amounts due from / to related parties at year-end are disclosed in notes 16 and 18. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

	Related party activity €	2020 Total activity €	%	Related party activity €	2019 Total activity €	%
<i>Income</i>						
Transactions with central government	826,836			749,226		
Transactions with regions/LESA	4,253			6,466		
	<u>831,089</u>	<u>872,223</u>	<u>95</u>	<u>755,692</u>	<u>899,863</u>	<u>84</u>
<i>Expenditure</i>						
Transactions with government entities	122,111			124,680		
Key personnel remuneration	158,022			151,050		
	<u>280,133</u>	<u>881,427</u>	<u>32</u>	<u>275,730</u>	<u>862,404</u>	<u>32</u>

The following were the significant transactions carried out by the Council with related parties having significant control:

**24. Fair values estimation**

At 31 December 2020 and at 31 December 2019, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amount.

# Report of the Local Government Auditor

To the Auditor General

## Report on the audit of the financial statements

### Qualified opinion

We have audited the financial statements of Swieqi Local Council set out on pages 4 to 25 which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in paragraphs 1 and 2 under the Basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the "Legislation").

### Basis for qualified opinion

1. Up to 31 August 2011, all income and expenditure from the Local Enforcement System (LES) were centralised through the Lvant Joint Committee. The Joint Committee ceased operations on that date. We were provided with the audited financial statements for the year ended 31 December 2011. The reserves of the Committee at that date amount to €3.01 million. We were unable to determine whether the council is entitled to receive any further income from the Joint Committee.
2. The council failed to provide us with the appropriate supporting documentation for the following:
  - a. intangible assets additions amounting to €5,932,
  - b. trade receivables recorded in the books of account as at year end amounting to €9,211
  - c. payables recorded in the books of account as at year end amounting to €23,937
  - d. accruals recorded in the books of account as at year end amounting to €48,935.

Since there were no satisfactory audit procedures that we could apply to satisfy ourselves that the above mentioned amounts are not materially misstated, we were unable to determine whether or not the above mentioned balances are materially misstated.



We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Council in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### Responsibilities of those charged with governance for the financial statements

As described on page 3 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the members of the Local Council are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

The Executive Secretary and the members of the Local Council are responsible for overseeing the Council's financial reporting process.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

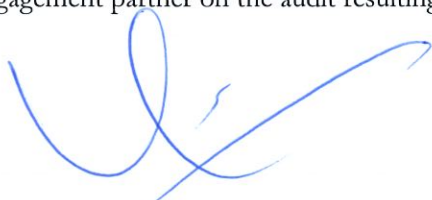
As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Council to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.



Mark Bugeja (Partner) for and on behalf of

**GRANT THORNTON**  
Certified Public Accountants

Fort Business Centre  
Triq L-Intornjatur, Zone 1,  
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6 January 2022